

ELK RIDGE CITY  
FINANCIAL STATEMENTS

June 30, 2005

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1011 West 400 North, Suite 100  
P.O. Box 747  
Logan, UT 84323-0747  
Phone: (435) 752-1510 • (877) 752-1510  
Fax: (435) 752-4878

#### OFFICERS:

Paul D. Simkins, CPA  
Michael C. Kidman, CPA, MBA  
Brent S. Sandberg, CPA  
Brett C. Hugie, CPA  
Mark E. Low, CPA  
H. Paul Gibbons, CPA

### INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
Elk Ridge City  
Elk Ridge, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Elk Ridge City, Utah (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and on pages 47 and 48, are not a required part of the basic financial statement but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund information and the supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund information, and the supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Jones Simkins, P.C.", written in dark ink.

JONES SIMKINS, P.C.

October 7, 2005

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2005

As management of Elk Ridge City, we offer to those interested, this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2005. This overview and analysis is also intended to assist the reader focus on significant financial issues including identifying changes in the City's financial position. We encourage readers to consider the information presented here in conjunction with the City's financial statements. The City's activities are classified in the following manner: Governmental (General Administration, Public Safety, Streets and Class C Roads, Parks & Recreation; while Business-type activities refer to operations of the Water, Sewer and Storm Drainage Funds.

**FINANCIAL HIGHLIGHTS**

- The total net assets of Elk Ridge City increased from \$5,640,523 to \$6,000,241. The governmental net assets increased by \$137,856 and the business-type net assets increased by \$221,862. None of *the three enterprise funds showed a net asset loss.*
- The total assets of government and business-type activities is \$7,169,207 and is made up of \$4,992,397 in capital assets, such as land, infrastructure, buildings and equipment, and \$2,176,810 in other assets. The \$2,176,810 in other assets is comprised of \$496,680 restricted for capital projects and the remaining \$1,680,130 is unrestricted assets.
- Total long-term liabilities of the City (*decreased/increased*) by \$176,156. The (*decrease/increase*) in long-term liabilities was primarily the result of payments being made on bonds, as well as the 1991 Series Bond being paid off early in 2004/2005.

**REPORTING THE CITY AS A WHOLE**

The discussion and analysis is intended to serve as an introduction to Elk Ridge City's basic financial statements. Elk Ridge City's basic financial statements comprise three components:

- 1) government-wide financial statements
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also includes other supplementary information in addition to the basic financial statements.

*The government-wide financial statements* are designed to provide readers with a broad overview of Elk Ridge City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Elk Ridge City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Elk Ridge City is improving or deteriorating. However, the reader will also have to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2005

- Both of the governmental-wide financial statements, which together comprise the *statement of activities*, distinguish between activities that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 11 and 12 of this report.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Elk Ridge City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

- *Governmental Funds* – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund and Future Improvements Capital Projects Fund. The City also has other capital project funds and the Parks & Trails Special Revenue Fund; all of which are considered non-major governmental funds.

- *Proprietary Funds* - Elk Ridge City maintains one type of proprietary fund, the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Elk Ridge City uses enterprise funds to account for its Water Utility, Sewer Utility and Storm Drain Utility.

As determined by generally accepted accounting principles, the water fund and the sewer fund meet the criteria of major fund classification.

- *Fiduciary Funds* – These funds are used to account for resources held for the benefit of parties outside the government. The City currently has no fiduciary funds.



ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Elk Ridge City, assets exceed liabilities by \$ 6,000,241.

By far the largest portion of Elk Ridge City's net assets (71%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and other assets	\$ 990,814	1,158,211	971,837	1,018,599
Capital assets, net	<u>2,944,320</u>	<u>3,009,029</u>	<u>1,923,170</u>	<u>1,983,368</u>
Total assets	<u>3,935,134</u>	<u>4,167,240</u>	<u>2,895,007</u>	<u>3,001,967</u>
Current liabilities	263,616	408,725	23,094	33,489
Noncurrent liabilities	<u>106,874</u>	<u>56,015</u>	<u>796,034</u>	<u>670,737</u>
Total liabilities	\$ <u>370,490</u>	<u>464,740</u>	<u>819,128</u>	<u>704,226</u>
Net assets:				
Invested in capital assets, net of debt	\$ 2,837,446	2,953,014	1,127,136	1,312,631
Restricted for:				
Impact fees	74,147	58,395	147,351	104,736
Bond requirements	-	-	345,154	317,849
Unrestricted	<u>653,051</u>	<u>691,091</u>	<u>456,238</u>	<u>562,525</u>
Total net assets	\$ <u>3,564,644</u>	<u>3,702,500</u>	<u>2,075,879</u>	<u>2,297,741</u>

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2005

**GOVERNMENTAL ACTIVITIES**

Governmental activities net assets increased by \$137,856 for the current fiscal year. Key elements of this increase are as follows:

- Franchise tax revenues increased by approximately \$16,000 due to a state-wide telecommunications tax.
- The Sales tax revenue increased \$10,243.
- The City received grants dedicated to training and the purchase of equipment in the Fire Dept. and the EMS Dept.
- The City has a policy of closely monitoring the expenditures of the various departments within the City. In the 2004/2005 fiscal year, the various Department Heads were careful in their spending.

**BUSINESS-TYPE ACTIVITIES**

Business-type activities net assets increased by \$221,862. Key elements of this increase are as follows:

- As subdivisions are developed in Elk Ridge, the developers are responsible to construct the various utilities that are necessary to service the future homes and home businesses within the developments. The improvements are then dedicated to the City for future operation and maintenance. Included among these utilities are the water and sewer systems, and the storm drain system. The value of these improvements are then added to the City's assets.
- The overall charges for services attributed to the proprietary funds (water, sewer & storm drain) remain consistent in all but the water fund, which sustained an increase in the base rate from \$25 for the first 12,000 gallons to \$40 for the first 12,000 gals. This increase was enacted in 2002. The tiered structure was also amended; the increases were initiated to conserve water in a drought situation, as well as to build capital for projected capital expenses in the water fund (replacement well in 2002).
- The charges for sewer service have remained constant for years, with no change. This will likely change as Salem City has been notified by the State of violations of laws. The City has discussed the possibility of having Payson City provide sewage treatment services and the potential related increase in sewage treatment costs.
- The storm drain fee (\$3.00) became effective in February of 2004 and has not been altered.

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2005

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues				
Program revenues				
Charges for services	\$ 143,317	164,138	565,793	610,919
Operating grants and contributions	134,104	111,978	-	16,623
Capital grants and contributions	-	-	-	-
General revenues				
Property taxes	195,957	189,985	-	-
Sales & use taxes	142,792	153,035	-	-
Franchise tax	76,209	92,178	-	-
Other taxes	427	456	-	-
Other revenues	<u>18,402</u>	<u>23,849</u>	<u>8,913</u>	<u>15,138</u>
Total revenues	<u>711,208</u>	<u>735,619</u>	<u>574,706</u>	<u>642,684</u>
Expenses				
General government	288,928	260,113	-	-
Public safety	123,314	124,351	-	-
Streets/highways	168,508	150,884	-	-
Parks & recreation	22,080	24,248	-	-
Sanitation	63,588	66,167	-	-
Interest on long term debt	6,243	-	-	-
Water	-	-	287,492	274,041
Sewer	-	-	156,643	117,598
Storm drain	<u>-</u>	<u>-</u>	<u>5,972</u>	<u>1,179</u>
Total expenses	<u>672,661</u>	<u>625,763</u>	<u>450,107</u>	<u>392,818</u>
Increase in net assets before transfers	433,787	109,856	124,599	249,862
Transfers	<u>15,000</u>	<u>28,000</u>	<u>(15,000)</u>	<u>(28,000)</u>
Change in net assets	53,547	137,856	109,599	221,862
Net assets - beginning	<u>3,511,097</u>	<u>3,564,644</u>	<u>1,966,280</u>	<u>2,075,879</u>
Net assets - ending	\$ <u>3,564,644</u>	<u>3,702,500</u>	<u>2,075,879</u>	<u>2,297,741</u>

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
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**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2005, the City's governmental funds (General, Capital Projects and Special Revenue) reported combined fund equity of \$749,486. This represents an increase of \$22,288 from last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

Taxes continue to be largest source of revenue in the General Fund and represent 53.9% of total general fund revenues. This compares with 54% for 2004. The two largest elements of taxes are Property Taxes and Sales & Use Taxes, as it has been for the last several years. Sales & Use Taxes represents 35% of total tax revenues and 19% of total General Fund revenues. These compare with 34% and 19% respectively in 2004. Property Tax, represent 38% of total tax revenues and 20% of the total General Fund revenues. These compare with 39% and 21% in 2004.

As stated earlier, the City maintains three enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

The Water Fund charges for services were lower by approximately \$40,000 in fiscal year 2005 because the fall of 2004 and the spring of 2005 were extremely wet and reduced water consumption. However, during fiscal year 2005, the Water Fund realized an increase of approximately \$60,000 in the water right fees the City charges for new homes. Also, the Storm Drainage Fund (a nonmajor enterprise fund) charged fees for the entire year resulting in an increase of approximately \$11,000 in fiscal year 2005.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, it is common to make adjustments to the original budget. There are often matters that are unknown during the initial budget approval process which occur during the course of the year which require action on the part of the City Council. These unknowns may be factors outside the control of the city administration such as significant increases in the cost of fuel or particularly harsh winters or hot summers, which can drive up the cost of energy. At times there are unforeseen operation and maintenance costs. There may also be purchasing and construction opportunities which become available that are advantageous to the City.

The budget is constantly reviewed by the Mayor, the City Council and the office staff. Typically, there is a mid-year amendment to the budget and then again at the end of the fiscal year, in June. Many adjustments are minor and simply reflect keeping current with year-to-date actuals; however, some adjustments are of greater significance.

In 2005, the City was faced with significantly higher fuel prices that affected every aspect of city government. Fuel prices and a snowy winter, resulted in an increased budget for snow removal. Budget amendments were made to continue to increase the expenditure budget for the general government department for increases in insurance premiums and employee benefits and in the public safety department for an increase in the fees charged by Utah County for police services.

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2005

Working with Park Impact Fees, the City completed the first phase of a Trails Project, extending from the City Hall/Park area east on Park Drive to Salem Hills Drive and South to Maple Lane. The trail was graded and slag spread. Park Impact Fees were also used to install a rock retaining wall around the ballpark area of Ingram Field.

The City plans to complete the extension of the sewer main in Loafer Canyon in fiscal year 2005/2006, which will make sewer services available to all but two of the lots in that area. Pre-construction engineering for this project came to about \$2,600.

An upgrade to the water system was done by increasing the size of the water line connecting the system to the replacement well (Cloward Well) from an 8" line to a 10" line. The remainder of the 2002 Well Bond (Cloward Well) in the amount of \$65,491 was approved by the State of Utah for use on this project. The rest of the cost utilized retained earnings in the water dept.

The City has been replacing older roads that have degenerated past the point of effective repair. This ongoing project is nearly completed. The City Council, in years past, voted to use energy taxes to fund road projects.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets – Elk Ridge City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$4,992,397 (net of accumulated depreciation = 1,886,510). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment. The increase in the City's investment in governmental fixed assets for the current year was \$327,550 and depreciation expense was \$202,553.

Most of the increase in governmental fixed assets was attributed to streets that were constructed. These new streets accounted for \$94,585 of the total.

The increase in proprietary fixed assets included \$113,458 for an upgrade to a connecting 10" water line leading from the new Cloward Well to Salem Hills Drive (64,491 of this was funded by the excess Bond money from the 2002 "Cloward Well" and the rest was from water impact fees). There was also a project to install a new PRV in the area of the new LDS Stake Center (north of the City). This was a four-way split between developers in the area and the City. The total amount was \$27,197 (the City was responsible for 1/4 of this total and the remaining balance was reimbursed to the City).

Long-term debt – As of June 30, 2005, the City had a total debt outstanding of \$726,752, compared with \$902,908 as of June 30, 2004. None of the debt is considered to be general obligation debt backed by the full faith and credit of the City.

The City also has a lease/purchase agreement with Zions Bank for the purchase of a Fire Truck in the amount of \$50,015. The City has 5 Water parity Bonds outstanding with the State of Utah, Drinking Water Division amounting to \$610,075.

#### **REQUESTS FOR INFORMATION**

This final report is designed to provide a general overview of Elk Ridge City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to: City Recorder, Elk Ridge City, 80 E. Park Drive, Elk Ridge, UT 84651.

## **Basic Financial Statements**

ELK RIDGE CITY  
STATEMENT OF NET ASSETS  
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ -	293,213	293,213
Pooled cash and cash equivalents	749,743	359,413	1,109,156
Accounts receivable, net	23,585	48,124	71,709
Due from other governments	205,971	-	205,971
Deposits	81	-	81
Restricted assets:			
Cash and cash equivalents	178,831	317,849	496,680
Land	201,207	138,201	339,408
Construction in Process	8,595	-	8,595
Water rights	-	188,277	188,277
Buildings	116,854	-	116,854
Improvements other than buildings	61,108	-	61,108
Machinery and equipment	525,782	-	525,782
Infrastructure	2,992,286	-	2,992,286
Structures and systems	-	2,646,597	2,646,597
Accumulated depreciation	(896,803)	(989,707)	(1,886,510)
 Total assets	 4,167,240	 3,001,967	 7,169,207
<u>Liabilities</u>			
Accounts payable	46,772	16,403	63,175
Deposits due customers	-	7,310	7,310
Contractor deposits	178,831	-	178,831
Contractor performance bonds	15,000	-	15,000
Accrued expenses	5,330	9,776	15,106
Deferred revenue	162,792	-	162,792
Noncurrent liabilities:			
Due within one year	15,451	80,277	95,728
Due in more than one year	40,564	590,460	631,024
 Total liabilities	 464,740	 704,226	 1,168,966
<u>Net Assets</u>			
Invested in capital assets, net of related debt	2,953,014	1,312,631	4,265,645
Restricted for:			
Impact fees	58,395	104,736	163,131
Bond requirement	-	317,849	317,849
Unrestricted	691,091	562,525	1,253,616
 Total net assets	 \$ 3,702,500	 2,297,741	 6,000,241

The accompanying notes are an integral  
part of these financial statements

ELK RIDGE CITY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2005

Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$ 260,113	67,962	-	-	(192,151)	-	(192,151)
Public safety	124,351	182	43,819	-	(80,350)	-	(80,350)
Streets/highways	150,884	3,800	62,365	-	(84,719)	-	(84,719)
Sanitation	66,167	68,649	-	-	2,482	-	2,482
Parks and recreation	24,248	23,545	5,794	-	5,091	-	5,091
Total governmental activities	\$ 625,763	164,138	111,978	-	(349,647)	-	(349,647)
Business-type activities:							
Water fund	\$ 274,041	458,446	-	16,623	-	201,028	201,028
Sewer fund	117,598	134,182	-	-	-	16,584	16,584
Non-major enterprise funds	1,179	18,291	-	-	-	17,112	17,112
Total business-type activities	\$ 392,818	610,919	-	16,623	-	234,724	234,724
Total primary government	\$ 1,018,581	775,057	111,978	16,623	(349,647)	234,724	(114,923)
General revenues:							
Taxes:							
Sales and use tax					153,035	-	153,035
Franchise tax					92,178	-	92,178
Property tax					189,985	-	189,985
Other taxes					456	-	456
Total taxes					435,654	-	435,654
Miscellaneous					425	-	425
Investment income					23,424	15,138	38,562
Transfers					28,000	(28,000)	-
Total general revenues and transfers					487,503	(12,862)	474,641
Change in net assets					137,856	221,862	359,718
Net assets—beginning					3,564,644	2,075,879	5,640,523
Net assets—ending					3,702,500	2,297,741	6,000,241

The accompanying notes are an integral part  
of these financial statements.



ELK RIDGE CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

	<u>General</u>	<u>Future Improvements Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Pooled cash and cash equivalents	\$ 201,192	357,036	191,515	749,743
Accounts receivable, net	23,585	-	-	23,585
Due from other governments	205,971	-	-	205,971
Restricted assets:				
Cash and cash equivalents	178,831	-	-	178,831
Deposits	81	-	-	81
Total assets	<u>\$ 609,660</u>	<u>357,036</u>	<u>191,515</u>	<u>1,158,211</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 46,772	-	-	46,772
Contractor deposits	178,831	-	-	178,831
Contractor performance bonds	15,000	-	-	15,000
Accrued expenses	5,330	-	-	5,330
Deferred revenue	162,792	-	-	162,792
Total liabilities	<u>408,725</u>	<u>-</u>	<u>-</u>	<u>408,725</u>
Fund balances:				
Reserved for:				
Impact fees	-	-	58,395	58,395
Unreserved - designated	-	-	132,990	132,990
Unreserved - undesignated	200,935	357,036	130	558,101
Total fund balances	<u>200,935</u>	<u>357,036</u>	<u>191,515</u>	<u>749,486</u>
Total liabilities and fund balances	<u>\$ 609,660</u>	<u>357,036</u>	<u>191,515</u>	<u>1,158,211</u>

The accompanying notes are an integral  
part of these financial statements

ELK RIDGE CITY  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
For the Year Ended June 30, 2005

Total fund balances for governmental funds \$ 749,486

Amounts reported for governmental activities in the Statement of Net  
Assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Land	\$ 201,207	
Infrastructure	2,992,286	
Buildings	116,854	
Improvements	61,108	
Machinery and equipment	525,782	
Construction in progress	8,595	
Accumulated depreciation	<u>(896,803)</u>	3,009,029

Long-term liabilities and related accrued interest are not due and  
payable in the current period and therefore are not reported in the  
funds.

Notes payable	(5,000)	
Capital leases	<u>(51,015)</u>	<u>(56,015)</u>

Net assets of governmental activities \$ 3,702,500

The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE CITY  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2005

	General	Future Improvements Capital Projects	Nonmajor Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 435,198	-	-	435,198
Licenses & permits	64,018	-	-	64,018
Intergovernmental	106,790	-	-	106,790
Charges for services	168,193	-	23,545	191,738
Miscellaneous	33,293	-	-	33,293
Total revenues	807,492	-	23,545	831,037
Expenditures:				
General government	351,684	-	2,595	354,279
Public safety	178,054	-	-	178,054
Streets/highways	163,551	-	-	163,551
Sanitation	66,167	-	-	66,167
Parks and recreation	20,288	-	54,410	74,698
Total expenditures	779,744	-	57,005	836,749
Excess of revenues over expenditures	27,748	-	(33,460)	(5,712)
Other financing sources (uses):				
Transfers in	8,300	82,705	34,594	125,599
Transfers out	(89,299)	-	(8,300)	(97,599)
Total other financing sources (uses)	(80,999)	82,705	26,294	28,000
Change in fund balance	(53,251)	82,705	(7,166)	22,288
Fund balance - July 1	254,186	274,331	198,681	727,198
Fund balance - June 30	\$ 200,935	357,036	191,515	749,486

The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE CITY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2005

Net change in fund balance - Total governmental funds	\$	22,288
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$175,798) exceeded depreciation (\$111,089) in the current period.

		64,709
--	--	--------

Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayment of bond and capital lease principal are expenditures in the governmental funds.

Payment of notes payable principal	\$	27,731		
Payments on capital leases		23,128	50,859	
Change in net assets of governmental activities			\$ 137,856	

The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2005

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total Business</u> <u>Type Activities</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 20,108	273,105	-	293,213
Pooled cash and cash equivalents	336,646	15,688	7,079	359,413
Accounts receivable, net	32,485	13,708	1,931	48,124
Total current assets	<u>389,239</u>	<u>302,501</u>	<u>9,010</u>	<u>700,750</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	317,849	-	-	317,849
Capital assets:				
Water rights	188,277	-	-	188,277
Land	114,039	12,539	11,623	138,201
Structures and systems	2,044,697	576,643	25,257	2,646,597
Accumulated depreciation	(704,020)	(283,021)	(2,666)	(989,707)
Total noncurrent assets	<u>1,960,842</u>	<u>306,161</u>	<u>34,214</u>	<u>2,301,217</u>
Total assets	<u>\$ 2,350,081</u>	<u>608,662</u>	<u>43,224</u>	<u>3,001,967</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 16,403	-	-	16,403
Deposits due customers	7,310	-	-	7,310
Accrued interest payable	9,776	-	-	9,776
Bonds and notes payable	77,777	2,500	-	80,277
Total current liabilities	<u>111,266</u>	<u>2,500</u>	<u>-</u>	<u>113,766</u>
Noncurrent liabilities:				
Bonds and notes payable	590,460	-	-	590,460
Total liabilities	<u>701,726</u>	<u>2,500</u>	<u>-</u>	<u>704,226</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	974,756	303,661	34,214	1,312,631
Restricted:				
Impact fees	101,337	3,399	-	104,736
Bond requirements	317,849	-	-	317,849
Unrestricted	254,413	299,102	9,010	562,525
Total net assets	<u>\$ 1,648,355</u>	<u>606,162</u>	<u>43,224</u>	<u>2,297,741</u>

The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE CITY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2005

	Water Fund	Sewer Fund	Nonmajor Fund	Total Business Type Activities
Operating revenues:				
Charges for services	\$ 339,308	116,557	18,291	474,156
Connection fees	4,475	3,625	-	8,100
Miscellaneous income	4,283	-	-	4,283
Total operating revenues	348,066	120,182	18,291	486,539
Operating expenses:				
Administrative fee	76,907	18,511	-	95,418
Current expenses	103,823	74,687	-	178,510
Depreciation	66,222	24,400	842	91,464
Total operating expenses	246,952	117,598	842	365,392
Operating income	101,114	2,584	17,449	121,147
Non-operating revenues (expenses):				
Impact fees	20,100	14,000	-	34,100
Water right fees	90,280	-	-	90,280
Interest income	8,792	6,346	-	15,138
Transfer out	(10,000)	(18,000)	-	(28,000)
Interest expense	(27,089)	-	(337)	(27,426)
Non-operating revenues (expenses)	82,083	2,346	(337)	84,092
Capital contributions	16,623	-	-	16,623
Change in net assets	199,820	4,930	17,112	221,862
Net assets - July 1	1,448,535	601,232	26,112	2,075,879
Net assets - June 30	\$ 1,648,355	606,162	43,224	2,297,741

The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Fund</u>	<u>Total Business Type Activities</u>
<u>Cash flows from operating activities:</u>				
Receipts from customers and users	\$ 365,274	119,150	16,360	500,784
Payments to suppliers	(95,962)	(74,775)	-	(170,737)
Payments for interfund services used	(76,907)	(18,511)	-	(95,418)
Net cash provided by operating activities	<u>192,405</u>	<u>25,864</u>	<u>16,360</u>	<u>234,629</u>
<u>Cash flows from non-capital financing activities:</u>				
Impact and water right fees	110,380	14,000	-	124,380
Interfund receivable/payable	-	1,300	(1,300)	-
Change in due to pooled cash	-	-	(1,961)	(1,961)
Transfer to capital projects funds	(10,000)	(18,000)	-	(28,000)
Net cash provided (used) by non-capital financing activities	<u>100,380</u>	<u>(2,700)</u>	<u>(3,261)</u>	<u>94,419</u>
<u>Cash flows from capital financing activities:</u>				
Acquisition and construction of capital assets	(151,752)	-	-	(151,752)
Capital contributions	16,623	-	-	16,623
Principal payments on debt	(117,114)	(2,500)	(5,683)	(125,297)
Interest payments on debt	(25,077)	-	(337)	(25,414)
Net cash used by capital financing activities	<u>(277,320)</u>	<u>(2,500)</u>	<u>(6,020)</u>	<u>(285,840)</u>
<u>Cash flows from investing activities:</u>				
Interest on investments	<u>8,792</u>	<u>6,346</u>	<u>-</u>	<u>15,138</u>
Net cash provided by investing activities	<u>8,792</u>	<u>6,346</u>	<u>-</u>	<u>15,138</u>
Net increase in cash and cash equivalents	24,257	27,010	7,079	58,346
Cash and cash equivalents - July 1	<u>650,346</u>	<u>261,783</u>	<u>-</u>	<u>912,129</u>
Cash and cash equivalents - June 30	<u>\$ 674,603</u>	<u>288,793</u>	<u>7,079</u>	<u>970,475</u>

(continued)

The accompanying notes are an integral  
part of these financial statements

(continued)

ELK RIDGE CITY  
COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Fund</u>	<u>Total Business Type Activities</u>
Shown in Statement of Net Assets as:				
Cash and cash equivalents	\$ 20,108	273,105	-	293,213
Pooled cash and cash equivalents	336,646	15,688	7,079	359,413
Restricted cash and cash equivalents	317,849	-	-	317,849
	<u>\$ 674,603</u>	<u>288,793</u>	<u>7,079</u>	<u>970,475</u>
Supplemental disclosures:				
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 101,114	2,584	17,449	121,147
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	66,222	24,400	842	91,464
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	16,508	(1,032)	(1,931)	13,545
Increase (decrease) in accounts payable	7,861	(88)	-	7,773
Increase (decrease) in deposits due customers	700	-	-	700
Total adjustments	<u>91,291</u>	<u>23,280</u>	<u>(1,089)</u>	<u>113,482</u>
Net cash provided by operating activities	<u>\$ 192,405</u>	<u>25,864</u>	<u>16,360</u>	<u>234,629</u>

The accompanying notes are an integral  
part of these financial statements



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## **Notes to the Basic Financial Statements**

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 - Summary of Significant Accounting Policies

The financial statements of Elk Ridge City (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

**Financial Reporting Entity**

The City operates as an incorporated governmental entity within the State of Utah. The City operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services.

The City's basic financial statements include the accounts of all City operations. The accounting policies of the City conform to generally accepted accounting principles.

The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective government board.

**Basic Financial Statements - Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, streets and public improvements, recreation, planning and zoning and general administrative services are classified as governmental activities. The City's water, sewer and storm drainage services are classified as business-type activities.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

Governmental activities are usually financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general, public safety, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

These government-wide statements focus more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

**Basic Financial Statements – Fund Statements**

The City's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes. Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major individual funds, as defined by GASB Statement No. 34, with each displayed as a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds in their respective fund financial statements.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

The following fund types are used by the City:

*Governmental Funds*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City.

- The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- The **Capital Projects Funds** are used to account for financial resources to be used for the acquisition of capital facilities and equipment by the City.

The City's major governmental funds consist of the following:

**General Fund** - see description above.

**Future Improvements Capital Projects Fund** - This fund accounts for the financial resources accumulated for the acquisition of general capital facilities or equipment.

The City's nonmajor governmental funds consist of a special revenue fund that collects impact fees and other resources for park development and maintenance and other capital project funds that accumulate resources for the future replacement and construction of capital assets.

*Proprietary Funds*

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as non-operating.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City's major enterprise funds consist of the following:

**Water Fund** - This fund accounts for the water services provided to City residents.

**Sewer Fund** - This fund accounts for the sewer services provided to City residents.

The City's nonmajor enterprise fund consists of a fund to account for the operations of the City's storm water drainage systems.

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

*Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service and compensated absences expenditures are recorded only when payment is due.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

**Financial Statement Amounts**

*Cash and cash equivalents*

For the purpose of the Statement of Net Assets, the term "cash and cash equivalents" includes all demand deposit accounts, savings accounts, or other short-term, highly liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

*Interfund Receivables and Payables*

During the course of operations, transactions sometimes occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

*Accounts Receivable and Due From Other Governments*

Receivables consist of all revenues earned at year-end but received after year-end. Allowances for uncollectible accounts are based upon historical trends. Receivable balances for the governmental activities include sales taxes, franchise taxes, property taxes, garbage collection fees, and other fees. Business-type activities report receivables for utility service fees.

*Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all depreciable assets has been provided over the estimated useful lives using the straight-line method. The ranges of estimated useful lives are as follows:

Buildings	40 years
Water, sewer, and storm drain improvements	15 to 50 years
Equipment	5 to 20 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

*Capitalized Interest*

The City capitalizes net interest costs as part of the cost of construction for proprietary capital projects when material.

*Deferred Revenues*

In the government-wide statements and the proprietary fund statements, deferred revenue is recognized when cash or other assets are received or recognized prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable.

*Compensated Absences*

The City's policies regarding vacation time permit employees to accumulate unused vacation leave. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds do not report a liability for compensated absences while proprietary funds report the liability as it is incurred. Compensated absences related to governmental activities are usually liquidated by the General Fund. In the government-wide financial statements, the liability for governmental activities compensated absences is insignificant.

*Long-term Debt*

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of bonds payable, capital leases payable, notes payable, and accrued compensated absences. The City uses the general fund to liquidate long-term debt related to governmental activities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.



ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

*Equity Classifications*

Equity in the government-wide financial statements is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net assets - Consists of net assets with constraints placed on their use whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide financial statements.

*Revenues*

Property taxes, franchise taxes, licenses, fees-in-lieu of taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes and fees-in-lieu of taxes associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the City receives cash. Grants are usually reimbursable grants and are thus recognized as revenue at the time the expenditures are made.

Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In addition, other revenues that do not result from providing services are reported as non-operating revenues.

*Expenses/Expenditures*

When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's general policy to use restricted resources first.

For proprietary fund financial statements, operating expenses are those that result from providing services to customers.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

*Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

**Property Tax Calendar**

A lien is placed on all property as of January 1 each year. Utah County assesses all taxable property other than centrally assessed property, which is assessed through the State, by May 22 of each year. The City must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

Note 2 – Accounting Reclassifications

For the fiscal year ended June 30, 2005, the City has classified water rights held in the Water fund separately from structures and systems. The City has also reclassified certain capital assets as land that were classified prior years as structures and systems. The July 1, 2005, capital asset balances presented in Note 5 reflect this change in classification.

Note 3 – Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted by the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 3 – Deposits and Investments (continued)

At June 30, 2005, the City's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Cash and cash equivalents:				
Public Treasurer's Investment Pool	\$ <u>      -</u>	<u>  293,213  </u>	<u>      -</u>	<u>  293,213  </u>
Total cash and cash equivalents	\$ <u>      -</u>	<u>  293,213  </u>	<u>      -</u>	<u>  293,213  </u>
Pooled cash and cash equivalents:				
Demand deposits	\$    84,122	-	-	84,122
Public Treasurer's Investment Pool	<u>      -</u>	<u> 1,025,034 </u>	<u>      -</u>	<u> 1,025,034 </u>
Total pooled cash and cash equivalents	\$ <u> 84,122 </u>	<u> 1,025,034 </u>	<u>      -</u>	<u> 1,109,156 </u>
Restricted cash and cash equivalents:				
Demand deposits	178,831	-	-	178,831
Public Treasurer's Investment Pool	<u>      -</u>	<u>  317,849 </u>	<u>      -</u>	<u>  317,849 </u>
Total restricted cash and cash equivalents	\$ <u>178,831 </u>	<u>  317,849 </u>	<u>      -</u>	<u>  496,680 </u>
Total all deposits and investments	\$ <u> 262,953 </u>	<u> 1,636,096 </u>	<u>      -</u>	<u> 1,899,049 </u>

**Deposits**

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$22,085 of the City's bank balances of \$300,917 was uninsured and uncollateralized.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 3 – Deposits and Investments (continued)

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investments transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, all investments held by the City are in the PTIF, which has a maturity of less than 1 year.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 3 – Deposits and Investments (continued)

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all City investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At June 30, 2005, all investments held by the City are in the PTIF which is unrated.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial risk is to use the PTIF whenever possible. As of June 30, 2005, all of the City's investments were in the PTIF.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 4 - Receivables and Due From Other Governments

The City has accounts receivable and due from other governments as of June 30, 2005 as follows:

General Fund:

Accounts receivable:

Garbage	\$	7,134
Other		5,360
Franchise taxes		<u>11,091</u>

Total accounts receivable	\$	<u>23,585</u>
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Due from other governments:

Class "C" roads	\$	12,776
Property taxes		166,427
Sales tax		<u>26,768</u>

Total due from other governments	\$	<u>205,971</u>
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Enterprise Funds:

Accounts receivable:

Water:

Services and fees	\$	32,485
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Sewer:

Services and fees		13,708
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Storm Water:

Services and fees		<u>1,931</u>
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Total accounts receivable	\$	<u>48,124</u>
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ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 5 - Capital Assets

Capital asset changes occurring for the year ended June 30, 2005, are as follows:

	July 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	June 30, <u>2005</u>
<u>Governmental activities:</u>					
Capital assets not being depreciated:					
Land	\$ 185,575	15,632	-	-	201,207
Construction in process	<u>6,000</u>	<u>2,595</u>	<u>-</u>	<u>-</u>	<u>8,595</u>
Total capital assets not being depreciated	<u>191,575</u>	<u>18,227</u>	<u>-</u>	<u>-</u>	<u>209,802</u>
Capital assets being depreciated:					
Buildings	116,854	-	-	-	116,854
Improvements other than buildings	46,221	14,887	-	-	61,108
Machinery and equipment	479,683	48,099	(2,000)	-	525,782
Infrastructure	<u>2,897,701</u>	<u>94,585</u>	<u>-</u>	<u>-</u>	<u>2,992,286</u>
Total capital assets being depreciated	<u>3,540,459</u>	<u>157,571</u>	<u>(2,000)</u>	<u>-</u>	<u>3,696,030</u>
Accumulated depreciation for:					
Buildings	(33,711)	(4,149)	-	-	(37,860)
Improvements other than buildings	(10,139)	(1,849)	-	-	(11,988)
Machinery and equipment	(130,539)	(30,678)	2,000	-	(159,217)
Infrastructure	<u>(613,325)</u>	<u>(74,413)</u>	<u>-</u>	<u>-</u>	<u>(687,738)</u>
Total accumulated depreciation	<u>(787,714)</u>	<u>(111,089)</u>	<u>2,000</u>	<u>-</u>	<u>(896,803)</u>
Total capital assets being depreciated, net	<u>2,752,745</u>	<u>46,482</u>	<u>-</u>	<u>-</u>	<u>2,799,227</u>
Total governmental activities capital assets, net	\$ <u>2,944,320</u>	<u>64,709</u>	<u>-</u>	<u>-</u>	<u>3,009,029</u>

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 5 – Capital Assets (continued)

	July 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	June 30, <u>2005</u>
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Water rights	\$ -	-	-	188,277	188,277
Land	<u>125,662</u>	<u>-</u>	<u>-</u>	<u>12,539</u>	<u>138,201</u>
Total capital assets not being depreciated	<u>125,662</u>	<u>-</u>	<u>-</u>	<u>200,816</u>	<u>326,478</u>
Capital assets being depreciated:					
Structures and systems	<u>2,695,751</u>	<u>151,752</u>	<u>(90)</u>	<u>(200,816)</u>	<u>2,646,597</u>
Total capital assets being depreciated	<u>2,695,751</u>	<u>151,752</u>	<u>(90)</u>	<u>(200,816)</u>	<u>2,646,597</u>
Accumulated depreciation for:					
Structures and systems	<u>(898,243)</u>	<u>(91,464)</u>	<u>-</u>	<u>-</u>	<u>(989,707)</u>
Total accumulated depreciation	<u>(898,243)</u>	<u>(91,464)</u>	<u>-</u>	<u>-</u>	<u>(989,707)</u>
Total capital assets being depreciated, net	<u>1,797,508</u>	<u>60,288</u>	<u>(90)</u>	<u>(200,816)</u>	<u>1,656,890</u>
Total business-type activities capital assets, net	\$ <u>1,923,170</u>	<u>60,288</u>	<u>(90)</u>	<u>-</u>	<u>1,983,368</u>

Depreciation expense was charged to functions of the City as follows:

General government	\$ 3,847
Streets and highways	89,418
Public safety	12,524
Parks and recreation	<u>5,300</u>
Total depreciation expense	\$ <u>111,089</u>



ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 6 - Refundable Deposits

The City requires a security deposit for utility services. The deposit, reported as a liability in the water fund, covers garbage pickup, water charges, and sewer services. Security deposits in the water utility fund of \$6,110 were held by the City at June 30, 2005. In addition the City held \$1,200 in other deposits.

The City also requires that developers provide a guarantee deposit to insure that improvements are completed. After all improvements have been made, the deposit is refunded. Contractor deposits of \$178,831 were held by the City as of June 30, 2005 in the general fund. In addition, the City also held \$15,000 in performance bonds.

Note 7 - Long-Term Debt

Long-term liability activity for fiscal year ending June 30, 2005, was as follows:

*Governmental Activities*

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One year</u>
Notes payable	\$ 32,731	-	(27,731)	5,000	5,000
Capital lease payable	<u>74,143</u>	<u>-</u>	<u>(23,128)</u>	<u>51,015</u>	<u>10,451</u>
Governmental activity long-term liabilities	\$ <u>106,874</u>	<u>-</u>	<u>(50,859)</u>	<u>56,015</u>	<u>15,451</u>

Governmental activities long-term debt was comprised of the following:

Notes payable:

\$25,000 note payable to Sterling Shuler, payable in annual installments of \$5,000, non-interest bearing, secured by land	\$ <u>5,000</u>
Total notes payable	<u>5,000</u>

Capital lease payable:

Payable to Zions First National Bank, payable in monthly installments of \$1,083 including interest at 5.5%, final payment due in 2011, secured by a fire truck	<u>51,015</u>
Total general long-term debt	\$ <u>56,015</u>

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 7 – Long-Term Debt (continued)

The annual requirement to amortize the governmental activities debt outstanding, excluding capital leases, as of June 30, 2005, was:

<u>Years ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ <u>5,000</u>	<u>-</u>

The following is a schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2005:

<u>Years Ending</u> <u>June 30</u>	<u>Amount</u>
2006	\$ 12,996
2007	12,996
2008	12,996
2009	12,996
2010	<u>5,618</u>
Future minimum lease payments	57,602
Less amount representing interest	<u>(6,587)</u>
Present value of net minimum lease payments	\$ <u>51,015</u>

At June 30, 2005, the cost of assets financed by capital leases recorded in the governmental fixed assets was \$130,000 and the related accumulated depreciation was \$26,000.

*Business Type Activities*

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One year</u>
Bonds payable:					
Revenue bonds	\$ 715,412	-	(105,337)	610,075	66,000
Notes payable	<u>80,622</u>	<u>-</u>	<u>(19,960)</u>	<u>60,662</u>	<u>14,277</u>
Business-type activity long-term liabilities	\$ <u>796,034</u>	<u>-</u>	<u>(125,297)</u>	<u>670,737</u>	<u>80,277</u>

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 7 – Long-Term Debt (continued)

Bonds payable outstanding at June 30, 2005, was comprised of the following:

Water Fund:

\$113,268, Revenue Bond, Series 1993R-1.

Administered by the State of Utah for construction.

Due in annual installments ranging from \$4,000 to

\$6,000 plus interest at 2%. Matures January 1, 2018. \$ 64,000

\$132,733, Revenue Bond, Series 1993R-2.

Administered by the State of Utah for construction.

Due in annual installments ranging from \$4,000 to

\$7,000 plus interest at 2%. Matures January 1, 2018. 76,000

\$121,000, Revenue Bond, Series 1993R-3.

Administered by the State of Utah for construction.

Due in annual installments ranging from \$4,000 to

\$6,000 plus interest at 2%. Matures January 1, 2021. 88,994

\$310,000, Revenue Bond, Series 1997.

Administered by the State of Utah for construction.

Due in annual installments ranging from \$36,000 to

\$47,000 plus interest at 2.9%. Matures January 1, 2007. 67,081

\$350,000, Revenue Bond, Series 2002R-1.

Administered by the Utah Drinking Water Board for  
well construction and improvements.

Due in annual installments ranging from \$18,000 to

\$30,000 plus interest at 3.8%. Matures January 1, 2018. 314,000

Total bonds payable \$ 610,075

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 7 – Long Term Debt (continued)

Notes payable outstanding at June 30, 2005, was comprised of the following:

\$92,770 note payable to Dallas Young, payable in semi-annual installments of \$4,638 plus interest at 7.5%, final payment due in 2011, secured by water rights. \$ 55,662

\$25,000 note payable to Sterling Shuler, payable in annual installments of \$5,000 (half in the water fund and half in the sewer fund), non-interest bearing, secured by land 5,000

Total notes payable 60,662

Total proprietary long-term debt \$ 670,737

The annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2005 were as follows:

<u>Years ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 80,277	22,842	103,119
2007	76,358	20,132	96,490
2008	45,277	16,313	61,590
2009	46,277	15,466	61,743
2010	47,277	13,606	60,883
2011-2015	214,277	43,860	258,137
2016-2020	150,000	10,932	160,932
2021-2025	<u>10,994</u>	<u>340</u>	<u>11,334</u>
Total	\$ <u>670,737</u>	<u>143,491</u>	<u>814,228</u>

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 8 - Restricted Net Assets/Reserved Fund Equity

Restricted net assets and reserved fund equity represent moneys required to be maintained to satisfy third party agreements or legal requirements. The following schedule details restricted equity at June 30, 2005:

Governmental Activities:

Park impact fees	\$ <u>58,395</u>
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Business-type Activities:

Impact fees - Water Fund	\$ 101,337
Impact fees - Sewer Fund	<u>3,399</u>
Total impact fees	\$ <u>104,736</u>
Bond reserve - Water Fund	\$ <u>317,849</u>

Note 9 - Designated Fund Equity

Designated fund equity balances represent moneys approved by the Council to be used for specific purposes. These amounts are not legally restricted and can be reallocated by the Council. At June 30, 2005 the City had designated balances in the capital projects funds for specific projects or equipment replacement.

Note 10 - Retirement Plans

Defined Benefit Plans:

The City participates in the Utah Retirement Systems which sponsors multiple employers cost sharing defined benefit pension plans. Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 10 - Retirement Plans (continued)

Utah Retirement Systems is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. Utah Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of this report may be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

During 2005, 2004, and 2003, the City was required to contribute 11.09%, 9.62%, and 8.69%, respectively, of the plan members' annual covered salary in the Local Governmental Noncontributory Retirement System. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Contributions to the Local Government Noncontributory Retirement Systems for the years ending June 30, 2005, 2004 and 2003 were as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Salary subject to retirement contributions	\$ 108,330	101,838	78,778
Employer contributions	12,014	9,797	6,846

All contributions by the City were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

The Utah State Retirement Board of the Utah Retirement Systems provides the City with the necessary retirement disclosures for their report.

Defined Contribution Plan:

The City participates in the Utah Retirement Systems qualified cash or deferred compensation plan under section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. During the 2005, 2004 and 2003 fiscal years, the City contributed \$1,288, \$1,117, and \$1,098 respectively to the plan on-behalf of the employees.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 11 – Interfund Transfers

During the year, the City made the following interfund transfers:

<u>Purpose</u>	<u>Amount</u>	<u>Transfer in</u>	<u>Transfer out</u>
Fund future projects	\$ 5,000	Non-major fund	Water fund
Fund future projects	5,000	Non-major fund	Sewer fund
Fund future projects	5,000	Non-major fund	General fund
Fund future projects	1,594	Non-major fund	General fund
Fund future projects	82,705	Future Improvements fund	General fund
Fund future projects	8,000	Non-major fund	Sewer fund
Fund future projects	5,000	Non-major fund	Sewer fund
Fund future projects	5,000	Non-major fund	Water fund
Equipment purchases	3,300	General fund	Non-major fund
Equipment purchases	5,000	General fund	Non-major fund

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust (the Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the Trust for its general insurance coverage. The Trust was created as a self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. There have been no claim settlements that exceeded the City's insurance coverage for the past three years.

Note 13 - Administrative Fees

Administrative fees are paid by the enterprise funds and are reported as "charges for services" revenue in the general fund. These fees represent an allocation of costs to the enterprise funds for town personnel and other services paid by the general fund.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 14 - Interlocal Agreement

The City has entered into an interlocal agreement with the Salem City Corporation for sewer treatment services. Under the agreement, the City is responsible for 18% of the debt service and capital costs of the sewer treatment facility. At June 30, 2005, Salem City Corporation had outstanding General Obligation bonds for sewer projects of \$105,000, and a maturity date of January 1, 2006. The City is also responsible for a portion of the operating and maintenance expenses based on the number of residential equivalent connections. During the year, the City recognized \$65,943 as current expense under the terms of this agreement.



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## **Required Supplementary Information**

ELK RIDGE CITY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 375,506	439,677	435,198	(4,479)
Licenses and permits	47,600	54,331	64,018	9,687
Intergovernmental	132,229	102,115	106,790	4,675
Charges for services	167,228	167,793	168,193	400
Miscellaneous	15,650	33,293	33,293	-
Total revenues	738,213	797,209	807,492	10,283
Expenditures:				
General government	362,255	393,420	351,684	41,736
Public safety	180,936	203,942	178,054	25,888
Streets/highways	171,443	177,743	163,551	14,192
Sanitation	66,300	66,850	66,167	683
Parks and recreation	21,896	27,895	20,288	7,607
Total expenditures	802,830	869,850	779,744	90,106
Excess of revenues over expenditures	(64,617)	(72,641)	27,748	100,389
Other financing sources (uses):				
Transfers in (out):				
Parks fund	(50,000)	(1,594)	(1,594)	-
800 MHZ radio fund	3,120	3,300	3,300	-
Backhoe	5,000	5,000	5,000	-
Backhoe	-	(5,000)	(5,000)	-
Future improvements fund	(38,000)	(82,705)	(82,705)	-
Total other financing sources (uses)	(79,880)	(80,999)	(80,999)	-
Change in fund balance	\$ (144,497)	(153,640)	(53,251)	100,389
Fund balance - July 1			254,186	
Fund balance - June 30	\$		200,935	

ELK RIDGE CITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY REPORTING  
June 30, 2005

**Budget Presentation**

A Budgetary Comparison Schedule is presented for the General Fund and each major special revenue fund as required by generally accepted accounting principles (GAAP). Budgets for governmental funds are adopted on a GAAP basis.

Annual appropriated budgets are adopted for all governmental and business-type funds. All annual appropriations lapse at fiscal year end. Each fund adopts a "balanced budget" in accordance with State law. As allowed by State law, the City Council may authorize increases to or uses of unreserved fund balances. In the budget presentations, authorized increases to fund balance are shown as positive changes in fund balance and authorized decreases are shown as negative changes in fund balance.

**Budget Adoption and Monitoring**

On or before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's financial officers so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review at the first scheduled meeting in May. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The City financial officer must, within the revenues and reserves, estimate any changes in the budget as available or revenue estimates may be changed by an affirmative vote of a majority of the City Council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22, and adoption of budgets is done similarly.

State statute requires that City officers shall not incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Only the Council at a properly advertised public hearing can make increases in total fund appropriations. The final budget information presented is after all approved amendments.

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## Supplementary Information

ELK RIDGE CITY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual June 30, 2004
Revenues:				
Taxes:				
General property taxes	\$ 163,222	163,408	186	163,288
Fee in lieu of property taxes	30,000	26,577	(3,423)	32,669
Sales and use taxes	151,691	153,035	1,344	142,792
Franchise taxes	94,764	92,178	(2,586)	76,209
Other taxes	-	-	-	427
Total taxes	439,677	435,198	(4,479)	415,385
Licenses and permits:				
Business licenses and permits	2,500	2,463	(37)	2,248
Building permits	51,623	61,373	9,750	46,415
Animal licenses	208	182	(26)	77
Total licenses and permits	54,331	64,018	9,687	48,740
Intergovernmental:				
Class "C" roads	70,128	62,365	(7,763)	82,375
Liquor allotment	670	670	-	576
Fire department	27,794	41,720	13,926	41,107
EMS grant	1,079	1,079	-	7,199
Parks grant	1,844	500	(1,344)	1,000
Other	600	456	(144)	1,847
Total intergovernmental	102,115	106,790	4,675	134,104
Charges for services:				
Sanitation	68,249	68,649	400	66,689
Administrative fees	95,418	95,418	-	83,549
Other	4,126	4,126	-	3,650
Total charges for services	167,793	168,193	400	153,888
Miscellaneous revenues:				
Interest	23,424	23,424	-	13,886
Fire department fund raiser	350	350	-	1,502
Donations	5,294	5,294	-	2,315
Sale of assets	-	-	-	88
Other	4,225	4,225	-	374
Total miscellaneous	33,293	33,293	-	18,165
Total revenues	797,209	807,492	10,283	770,282

(continued)

(continued)

ELK RIDGE CITY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual June 30, 2004
Expenditures:				
General government:				
Legislative	31,940	31,368	572	30,627
Administrative	298,203	267,115	31,088	270,976
Town hall and fire station	14,497	12,933	1,564	13,593
Non-departmental	48,780	40,268	8,512	41,701
Total general government	393,420	351,684	41,736	356,897
Public safety:				
Police department	43,000	34,607	8,393	28,422
Fire department	118,592	105,856	12,736	96,471
Animal control	3,500	3,017	483	2,144
Weed control	-	-	-	860
Building inspection	38,850	34,574	4,276	30,338
Total public safety	203,942	178,054	25,888	158,235
Streets/highways:				
Streets department	11,100	9,378	1,722	25,090
Class "C" roads	166,643	154,173	12,470	127,284
Total streets/highways	177,743	163,551	14,192	152,374
Sanitation	66,850	66,167	683	63,588
Parks and recreation	27,895	20,288	7,607	19,171
Total expenditures	869,850	779,744	90,106	750,265
Excess of revenues over expenditures	(72,641)	27,748	100,389	20,017

(continued)



(continued)

ELK RIDGE CITY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual June 30, 2004
Other financing sources (uses):				
Transfers in (out):				
Parks fund	(1,594)	(1,594)	-	-
Fire apparatus fund	-	-	-	(3,500)
Town hall/fire station fund	-	-	-	(10,600)
800 MHZ radio fund	3,300	3,300	-	3,120
Backhoe	5,000	5,000	-	(5,000)
Backhoe	(5,000)	(5,000)	-	-
Future improvements fund	(82,705)	(82,705)	-	84,326
Loafer canyon road fund	-	-	-	(7,000)
Total other financing sources (uses)	(80,999)	(80,999)	-	61,346
Change in fund balance	\$ <u>(153,640)</u>	(53,251)	<u>100,389</u>	81,363
Fund balance - July 1		<u>254,186</u>		<u>172,823</u>
Fund balance - June 30	\$	<u>200,935</u>		<u>254,186</u>

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ELK RIDGE CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2005

	Special Revenue	Capital Projects		
	Parks Fund	Town Hall/ Firestation	Fire Apparatus	800 MHZ Radio
<u>Assets</u>				
Pooled cash and cash equivalents	\$ 58,525	74,040	18,877	7,080
Total assets	<u>58,525</u>	<u>74,040</u>	<u>18,877</u>	<u>7,080</u>
<u>Liabilities and fund balance</u>				
Liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund balance:				
Reserved	58,395	-	-	-
Unreserved:				
Designated for:				
Building improvements	-	74,040	-	-
Fire department equipment	-	-	18,877	7,080
Municipal equipment	-	-	-	-
New development	-	-	-	-
Unreserved, undesignated	130	-	-	-
Total fund balance	<u>58,525</u>	<u>74,040</u>	<u>18,877</u>	<u>7,080</u>
Total liabilities and fund balance	\$ <u>58,525</u>	<u>74,040</u>	<u>18,877</u>	<u>7,080</u>

Capital Projects		Total Nonmajor Governmental Funds
Backhoe	Loafer Canyon	
<u>20,912</u>	<u>12,081</u>	<u>191,515</u>
<u>20,912</u>	<u>12,081</u>	<u>191,515</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
-	-	58,395
-	-	74,040
-	-	25,957
20,912	-	20,912
-	12,081	12,081
<u>-</u>	<u>-</u>	<u>130</u>
<u>20,912</u>	<u>12,081</u>	<u>191,515</u>
<u>20,912</u>	<u>12,081</u>	<u>191,515</u>

ELK RIDGE CITY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2005

	Special Revenue	Capital Projects		
	Parks Fund	Town Hall/ Firestation	Fire Apparatus	800 MHZ Radio
Revenues:				
Charges for services	\$ 23,545	-	-	-
Total revenues	23,545	-	-	-
Expenditures:				
General government	-	-	-	-
Parks and recreation	54,410	-	-	-
Total expenditures	54,410	-	-	-
Deficiency of revenues over expenditures	(30,865)	-	-	-
Other financing sources (uses):				
Transfer from general fund	1,594	-	-	-
Transfer from water fund	-	5,000	-	-
Transfer from sewer fund	-	5,000	-	-
Transfer to general fund	-	-	-	(3,300)
Total other financing sources (uses)	1,594	10,000	-	(3,300)
Change in fund balance	(29,271)	10,000	-	(3,300)
Fund balance - July 1	87,796	64,040	18,877	10,380
Fund balance - June 30	\$ 58,525	74,040	18,877	7,080

<u>Backhoe</u>	<u>Loafer Canyon</u>	<u>Total Nonmajor Governmental Funds</u>
-	-	23,545
-	-	23,545
-	2,595	2,595
-	-	54,410
-	2,595	57,005
-	(2,595)	(33,460)
5,000	-	6,594
5,000	-	10,000
5,000	8,000	18,000
(5,000)	-	(8,300)
10,000	8,000	26,294
10,000	5,405	(7,166)
10,912	6,676	198,681
<u>20,912</u>	<u>12,081</u>	<u>191,515</u>

ELK RIDGE CITY  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
SPECIAL REVENUE PARKS FUND  
For The Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>June 30, 2005</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual June 30, 2004</u>
Revenues:				
Charges for services	\$ <u>23,545</u>	<u>23,545</u>	<u>-</u>	<u>24,238</u>
Total revenues	<u>23,545</u>	<u>23,545</u>	<u>-</u>	<u>24,238</u>
Expenditures:				
Parks and recreation	<u>54,891</u>	<u>54,410</u>	<u>481</u>	<u>15,095</u>
Total expenditures	<u>54,891</u>	<u>54,410</u>	<u>481</u>	<u>15,095</u>
Excess (deficiency) of revenues over expenditures	<u>(31,346)</u>	<u>(30,865)</u>	<u>481</u>	<u>9,143</u>
Other financing sources (uses):				
Transfers in	<u>1,594</u>	<u>1,594</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,594</u>	<u>1,594</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>(29,752)</u>	<u>(29,271)</u>	<u>481</u>	<u>9,143</u>
Fund balance - July 1		<u>87,796</u>		
Fund balance - June 30	\$	<u>58,525</u>		<u>9,143</u>

ELK RIDGE CITY  
TOWN HALL/FIRESTATION CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>June 30, 2005</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u> <u>June 30, 2004</u>
Revenues	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Deficiency of revenues over expenditures	-	-	-	-
Other financing sources:				
Transfer from water fund	5,000	5,000	-	5,000
Transfer from sewer fund	5,000	5,000	-	5,000
Transfer from general fund	-	-	-	10,600
Total other financing sources	10,000	10,000	-	20,600
Change in fund balance	\$ 10,000	10,000	-	20,600



ELK RIDGE CITY  
FIRE APPARATUS CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>June 30, 2005</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
			<u>Actual June 30, 2004</u>
Revenues	\$ -	-	-
Total revenues	-	-	-
Expenditures:			
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	-	-	-
Other financing sources:			
Transfer from general fund	-	-	3,500
Total other financing sources	-	-	3,500
Change in fund balance	\$ -	-	3,500

ELK RIDGE CITY  
800 MHZ RADIO CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>June 30, 2005</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
			<u>Actual</u> <u>June 30, 2004</u>
Revenues	\$ -	-	-
Total revenues	-	-	-
Expenditures:			
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	-	-	-
Other financing sources (uses):			
Transfer to general fund	(3,300)	(3,300)	-
Total other financing sources	(3,300)	(3,300)	-
Change in fund balance	\$ (3,300)	(3,300)	-

ELK RIDGE CITY  
BACKHOE FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>June 30, 2005</u>		<u>Variance</u>	<u>Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>June 30, 2004</u>
			<u>(Unfavorable)</u>	
Revenues	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Deficiency of revenues over expenditures	-	-	-	-
Other financing sources (uses):				
Transfer to general fund	(5,000)	(5,000)	-	-
Transfer from water fund	5,000	5,000	-	2,500
Transfer from sewer fund	5,000	5,000	-	2,500
Transfer from general fund	5,000	5,000	-	5,000
Total other financing sources	10,000	10,000	-	10,000
Change in fund balance	\$ 10,000	10,000	-	10,000

ELK RIDGE CITY  
LOAFER CANYON CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>June 30, 2005</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual June 30, 2004</u>
Revenues:				
Charges for services	\$ -	-	-	235
Interest	-	-	-	-
Total revenues	-	-	-	235
Expenditures:				
General government	8,000	2,595	5,405	6,000
Total expenditures	8,000	2,595	5,405	6,000
Deficiency of revenues over expenditures	(8,000)	(2,595)	5,405	(5,765)
Other financing sources (uses):				
Transfer from sewer fund	8,000	8,000	-	7,000
Total other financing sources (uses)	8,000	8,000	-	7,000
Change in fund balance	\$ -	5,405	5,405	1,235

ELK RIDGE CITY  
FUTURE IMPROVEMENTS CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>June 30, 2005</u>		<u>Variance</u>	<u>Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>June 30, 2004</u>
			<u>(Unfavorable)</u>	
Revenues:				
Assessments	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing sources (uses):				
Transfer to general fund	-	-	-	(84,326)
Transfer from general fund	-	-	-	-
Total other financing sources (uses)	-	-	-	(84,326)
Excess (deficiency) of revenue over				
Change in fund balance	\$ -	-	-	(84,326)

ELK RIDGE CITY  
WATER FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	June 30, 2005		Variance	Actual
	Budget	Actual	Favorable (Unfavorable)	June 30, 2004
Operating revenues:				
Services	\$ 339,308	339,308	-	370,340
Connection fees	4,475	4,475	-	3,750
Miscellaneous	4,500	4,283	(217)	4,481
Total operating revenues	348,283	348,066	(217)	378,571
Operating expenses:				
Administrative fee	76,907	76,907	-	70,000
Current expenses	121,175	103,823	17,352	122,159
Depreciation	65,903	66,222	(319)	65,903
Total operating expenses	263,985	246,952	17,033	258,062
Operating income	84,298	101,114	16,816	120,509
Non-operating income (expense):				
Transfer to capital projects fund	(10,000)	(10,000)	-	(7,500)
Impact fees	20,100	20,100	-	19,755
Water right fee	90,280	90,280	-	30,077
Interest income	8,793	8,792	(1)	5,313
Income before capital income (expenses)	193,471	210,286	16,815	168,154
Capital budget income (expenses):				
Equipment and improvements	(144,000)	(151,752)	(7,752)	(41,878)
Debt payments	(144,204)	(144,203)	1	(109,529)
Total capital budget income (expenses)	(288,204)	(295,955)	(7,751)	(151,407)
Net income (loss) budget basis	\$ (94,733)	(85,669)	9,064	16,747
Adjustments from budget basis to GAAP basis:				
Equipment and improvements		151,752		41,878
Capital contribution		16,623		-
Principal payments on debt		117,114		80,099
Net income GAAP basis	\$	199,820		138,724

ELK RIDGE CITY  
SEWER FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>June 30, 2005</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u> <u>June 30, 2004</u>
Operating revenues:				
Services	\$ 116,508	116,557	49	113,091
Connection fees	3,625	3,625	-	2,000
Total operating revenues	120,133	120,182	49	115,091
Operating expenses:				
Administrative fee	18,511	18,511	-	13,549
Current expenses	87,157	74,687	12,470	117,985
Depreciation	24,632	24,400	232	24,632
Total operating expenses	130,300	117,598	12,702	156,166
Operating income (loss)	(10,167)	2,584	12,751	(41,075)
Non-operating income (expense):				
Impact fees	14,000	14,000	-	14,800
Transfer to capital projects fund	(18,000)	(18,000)	-	(7,500)
Interest income	6,346	6,346	-	3,600
Income before capital income (expenses)	(7,821)	4,930	12,751	(30,175)
Capital budget income (expenses):				
Debt payments	(2,500)	(2,500)	-	(2,500)
Total capital budget income (expenses)	(2,500)	(2,500)	-	(2,500)
Net income budget basis	\$ <u>(10,321)</u>	2,430	<u>12,751</u>	(32,675)
Adjustments from budget basis to GAAP basis:				
Principal payments on debt		2,500		2,500
Net income GAAP basis	\$	<u>4,930</u>		<u>(30,175)</u>

ELK RIDGE CITY  
STORM DRAINAGE FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2005  
(With Comparative Totals for the Year Ended June 30, 2004)

	<u>June 30, 2005</u>		<u>Variance</u>	<u>Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>June 30, 2004</u>
Operating revenues:				
Charges for services	\$ <u>18,296</u>	<u>18,291</u>	<u>(5)</u>	<u>7,499</u>
Total operating revenues	<u>18,296</u>	<u>18,291</u>	<u>(5)</u>	<u>7,499</u>
Operating expenses:				
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,130</u>
Operating income (loss)	18,296	18,291	(5)	2,369
Capital budget income (expenses):				
Loan payment	<u>(6,020)</u>	<u>(6,020)</u>	<u>-</u>	<u>(715)</u>
Total capital budget income (expenses)	<u>(6,020)</u>	<u>(6,020)</u>	<u>-</u>	<u>(715)</u>
Net income (loss) budget basis	\$ <u>12,276</u>	<u>12,271</u>	<u>(5)</u>	<u>1,654</u>
Adjustments from budget basis to				
GAAP basis:				
Principal payment		5,683		238
Depreciation		<u>(842)</u>		<u>(842)</u>
Net income (loss) GAAP basis	\$	<u>17,112</u>		<u>1,050</u>



ELK RIDGE CITY  
NET REVENUE BOND REQUIREMENT  
WATER FUND  
Year Ended June 30, 2005

Operating income	\$	101,114
Adjustments to calculate net revenues:		
Interest		27,089
Depreciation		<u>66,222</u>
Net revenues	\$	<u><u>194,425</u></u>
Debt service requirement for fiscal year 2006		
Principal	\$	66,000
Interest		<u>18,542</u>
Total debt service requirement		<u><u>84,542</u></u>
Bond requirement of 125% of debt service	\$	<u><u>105,678</u></u>
Excess of net revenues over bond requirement	\$	<u><u>88,748</u></u>

ELK RIDGE CITY SUPPLEMENTAL WATER INFORMATION

June 30, 2005

Users and Rates

The Elk Ridge City water fund serves both residential and commercial users. As of June 30, 2005, there were the following users:

Water	496
-------	-----

Water rates:

The monthly rate charged is \$40.00 for up to 12,000 gallons used. Users are charged for monthly usage in excess of the 12,000 gallons at a rate of \$1.80 for each 1,000 gallons between 12,000 and 50,000 gallons, \$2.00 for each additional 1,000 gallons between 50,000 and 75,000 gallons, \$2.25 for each 1,000 gallons between 75,000 and 125,000 gallons and \$2.75 for each 1,000 gallons over 125,000 gallons.

Meters are read monthly from March 31<sup>st</sup> to October 31<sup>st</sup>. Users are billed the monthly rate during November through March and their bill is adjusted for excess usage when the meters are read.

Insurance and Bonding

The City maintains insurance on all vehicles and employees. In addition, the City maintains the following insurance and bonding policies:

<u>Company</u>	<u>Coverage Amount</u>	<u>Coverage</u>	<u>Expiration</u>
Utah Local Gov. Trust	\$ 5,000,000	General liability	Continuous
Utah Local Gov. Trust	\$ 5,000,000	Bodily injury, personal injury, property damage, errors and omissions	Continuous
Utah Local Gov. Trust	\$ 1,259,517	Physical property	July 1, 2005
Utah Local Gov. Trust	\$ 65,000	Uninsured motorist	Continuous
Utah Local Gov. Trust	\$ 50,000	Underinsured motorist	Continuous
Western Surety Company	\$ 70,000	Treasurer fidelity bond	Oct. 23, 2005
Western Surety Company	\$ 159,000	Mayor and recorder fidelity	Oct. 16, 2005
Western Surety Company	\$ 50,000	Employees fidelity bond	Oct. 23, 2005

ELK RIDGE CITY  
WATER BOND RESTRICTED ACCOUNTS  
June 30, 2005

PTIF Account #  Activity	Series 1990			Series 1993 (all)			Series 1997		Series 2002		
	1166 Bond Sinking	1167 Reserve	1580 Restricted	1582 Reserve	1583 Capital Facility	344 Restricted	2278 Reserve	3885 Reserve	3886 Bond	6369 Escrow	
Balance 7/1/04	\$ 12,621.04	10,945.98	33,648.11	25,950.71	119,030.27	23,089.07	31,259.80	8,196.17	16,003.35	64,409.13	
Additions:											
Interest	300.81	269.22	908.50	638.27	3,150.86	517.85	835.92	185.34	421.60	1,081.40	
Transfers in	6,722.04	-	19,000.08	-	14,124.00	36,000.00	4,800.00	3,150.00	33,908.42	-	
Deletions:											
Transfers out	(6,722.00)	-	(11,980.00)	-	-	(35,902.36)	-	(2,608.34)	(30,616.00)	(65,490.53)	
Balance 6/30/05	\$ 12,921.89	11,215.20	41,576.69	26,588.98	136,305.13	23,704.56	36,895.72	8,923.17	19,717.37	-	

ELK RIDGE CITY  
GOVERNMENTAL AUDIT REPORTS

June 30, 2005



1011 West 400 North, Suite 100  
P.O. Box 747  
Logan, UT 84323-0747  
Phone: (435) 752-1510 • (877) 752-1510  
Fax: (435) 752-4878

**OFFICERS:**

Paul D. Simkins, CPA  
Michael C. Kidman, CPA, MBA  
Brent S. Sandberg, CPA  
Brett C. Hugie, CPA  
Mark E. Low, CPA  
H. Paul Gibbons, CPA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Mayor and City Council  
Elk Ridge City  
Elk Ridge, Utah

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Elk Ridge City, Utah, (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

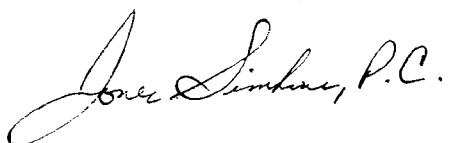
**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management in a separate letter dated October 7, 2005.

This report is intended solely for the information and use of the management of the City, the City Council, and State agencies and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.

October 7, 2005

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ELK RIDGE CITY  
STATE COMPLIANCE REPORT

June 30, 2005





**Certified Public Accountants**

1011 West 400 North, Suite 100  
P.O. Box 747  
Logan, UT 84323-0747  
Phone: (435) 752-1510 • (877) 752-1510  
Fax: (435) 752-4878

**OFFICERS:**

*Paul D. Simkins, CPA*  
*Michael C. Kidman, CPA, MBA*  
*Brent S. Sandberg, CPA*  
*Brett C. Hugie, CPA*  
*Mark E. Low, CPA*  
*H. Paul Gibbons, CPA*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LEGAL COMPLIANCE REQUIREMENTS**

To the Mayor and City Council  
Elk Ridge City  
Elk Ridge, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elk Ridge City, Utah (the City) for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 7, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

Class C Road Funds (Department of Transportation)  
Liquor Law Enforcement Funds (State Tax Commission)

The City also received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements).

EMT Grant (Department of Health)  
Fire Department FEMA Grant (Department of Homeland Security)  
Parks Grant (Department of Transportation)  
CERT Grant (Department of Public Safety)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

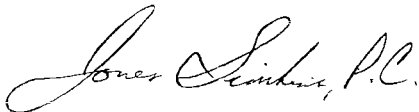
- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax Limitations
- Other Compliance Requirements
- Department of Commerce Requirements
- Impact Fees and Other Developmental Fees

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in a separate letter to management dated October 7, 2005. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the city complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.



JONES SIMKINS, P.C.  
October 7, 2005



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Logan, UT 84323-0747

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*H. Paul Gibbons, CPA*

Mayor and City Council  
Elk Ridge City  
Elk Ridge, Utah

We have audited the financial statements of Elk Ridge City for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005.

**Communications Required Under Professional Standards**

Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards.**

As stated in our engagement letter dated August 19, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of Elk Ridge City. Such considerations were solely for the purpose of determining our audit procedures and to report on the internal control in accordance with Government Auditing Standards and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Elk Ridge City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies and Audit Adjustments

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. During the year, the City adopted the new reporting requirements for deposits and investments and impaired assets.

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. At the request of management, we recorded several small audit adjustments to cash and cash equivalents, taxes receivable, accounts payable, and payroll liabilities. Audit adjustments were also posted to contractor deposits, fixed assets, long-term debt and reserved fund balance to ensure proper recording in accordance with generally accepted accounting principles.

### **Internal Control**

In planning and performing our audit of the financial statements of Elk Ridge City for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no conditions during our review of the internal control that we believe are material weaknesses. However, our audit disclosed the following conditions that although not considered by us to be material weaknesses, are either weaknesses in internal control for which corrective action might be taken or immaterial instances of noncompliance.

### General Recommendations

We suggest the following:

1. A follow-up on the recommendations in this letter should be made by the City Council and reflected in the Council's minutes before the next year's budget is adopted.

Management Response:

The City Council will consider the recommendations made by the City Auditor in a public meeting and take formal action to make any required corrections. These actions will be recorded in the official minutes of the meeting.

State Compliance

1. The City's general fund balance exceeds the statutory limit. State law limits undesignated general fund balance to 18% of the estimated revenues of the general fund of the City. We recommend that the City Council consider transferring a portion of the fund balance to a capital projects fund to provide resources for future capital projects.

Management Response:

Following the audit presentation, the City will amend the Budget for the fiscal year 2005/2006, and make the necessary adjustment to the General Fund to maintain less than the 18% allowance for fund balance.

We have appreciated the cooperation and assistance from City personnel during our audit. Their help was very beneficial in the completion of this year's audit.

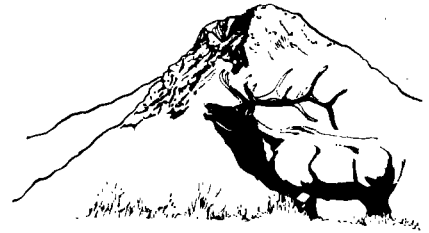
This report is intended solely for the use of the management of the City, the City Council, and the State of Utah Auditor's Office and should not be used for any other purposes. If questions arise concerning the above recommendations, please contact us and we will be happy to discuss them with you.



JONES SIMKINS, P.C.  
October 7, 2005

# Elk Ridge

80 EAST PARK DR.  
ELK RIDGE, UTAH 84651  
PHONE (801) 423-2300  
FAX (801) 423-1443



March 2, 2006

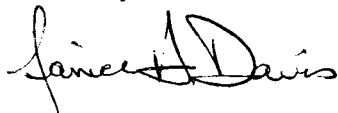
Division of Local Government  
State of Utah  
Office of the State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
PO Box 142310  
Salt Lake City, UT 84114-2310

RE: Correction Plan/2004-2005 Budget

Corrective Plan:

1. The prior Audit Report noted non-compliance in the area of Fund Balance in the General Fund. The last Audit Report (2004/2005 Fiscal Year) caught this and also reported the problem. A Budget Amendment followed the Audit report on February 28, 2006, wherein the problem was corrected by taking the total fund balance for the General Fund down to 10%.
2. There is another Budget Amendment planned for June, 2006; care will be taken to maintain the maximum 18% regulation.

Sincerely,



Janice H. Davis  
Elk Ridge City Recorder